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MARITIME TARIFFS AND VESSEL CHARTERING IN THE USSR

[Comment: This report presents excerpts from Chapter 12 of the book, Organizatsiya Perevozok i Gruzovyykh Rabot na Morskom Transporte (Organization of Transport and Cargo Work in Maritime Transport), by G. Ye. Gurevich, published in Moscow in 1952.

It should be noted that since this book was published certain designations used may no longer be appropriate. For example, the Sovtanker, Azov, and Kasptanker steamship companies no longer exist as independent companies, the first two having been incorporated into the Black Sea Steamship Company and the third having been incorporated into the Caspian Steamship Company (Kaspar).

The numbering and titles of sections used in the original have been retained.]

MARITIME FLEET USSR TARIFFS, CHARTERING OF VESSELS59. Tariffs

Tariff is the term applied to the system of transportation payments and additional levies and the rules governing their computation. For instance, the Maritime Fleet USSR Code of Freight Tariffs states: "Payments and additional levies exacted for the transportation of freight, the rules governing their computation, and the application of these payments and levies are considered USSR maritime transport tariffs in coastal trade."

Tariff and freight constitute two forms of maritime shipping costs. The tariff is a shipping cost defined and explained for general information.

Freight, in contrast to the tariff, is the price of transportation established in each individual case on the basis of a bilateral agreement (contract) between carrier and client (charterer) for the period stipulated by the contract (usually for a single trip but sometimes for several trips). USSR maritime transport (as well as other types of transport) tariffs represent a system of charges for shipping, based on a planned arrangement. This system is invoked in order to guarantee a harmonious relationship between the interests of maritime transport and the interests of the planned development of other fields of the national economy. Tariffs represent the monetary reflection of expenditure of socially necessary labor for the performance of transportation and are the monetary form of the costs of transportation, i.e., its planned price.

The net cost of transportation is taken as the basis in determining average tariff rates and a certain percentage of accumulation for productive expansion is added to it. Consequently, the level of tariffs must be such that shipping income will more than cover expenses.

Average tariff rates, set according to the indicated principle, guarantee the profitability of maritime shipping outlined by the plan (with the proper quality of its work). The tariff rates for individual shipments, however, are not fixed mechanically according to net cost with the addition of a fixed percentage of accumulation. These tariffs are fixed according to net cost of transportation, but with the addition of a percentage for accumulation which varies with each case.

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Coordination of tariff levels for the various types of transport is very important. This coordination should stimulate the transfer of freight from rail to water transportation since on parallel routes maritime tariffs should be lower than railroad tariffs.

In the USSR all coastal shipping is performed on the basis of fixed tariffs. In addition to this, tariffs regulate all foreign transport on Soviet ships if this transport is paid for by agencies of the Ministry of Foreign Trade USSR.

Tariffs employed in USSR maritime transport engaged in coastal shipping are divided into basic, exclusive, and local categories.

Basic tariffs are applied to all shipping not falling under the other (exclusive, local, etc.) categories of tariffs, independently of the destination and distance of the shipment.

Exclusive tariffs are those limited to certain goods, to a certain section of route, or a certain area of activity. The establishment of exclusive tariffs pursues different aims: to decrease the payment for shipping to some particular destination of raw material, fuel, or certain types of products, and the drawing of goods into water transport, thus easing the load on parallel railroads, etc.

Local tariffs are fixed by steamship companies and ports for suburban and local lines (passenger, luggage, and commercial baggage) and intraport conveyance.

With respect to its effective period, tariffs can be termless or fixed for a definite period of time. Tariffs fixed on a centralized basis are made public without indication as to effective term and therefore remain in force until changed. When they are used, however, it is necessary to study the amendments published in the "Manual of USSR Maritime Transport Shipping and Tariff Regulations." Certain local tariffs may be fixed for a definite time period.

Tariffs are separated by their internal structure into two categories: uniform and differential.

The tariff rate for the transport of one ton of cargo a given distance is found by multiplying the rate for a ton-mile by the distance of transportation (in miles). The rate may be uniform or differential, depending on the distance.

The uniform tariff, the computation of which determines the rate per ton-mile for any distance, increases in direct proportion to the distance of transportation.

Uniform tariffs sometimes find application in transportation for extremely short distances in local service.

The differential tariff, in contrast to the uniform tariff, is based upon a progressive decrease in the rate per ton-mile as distance increases. The fee for the transportation of one ton of cargo increases as the distance of transportation increases, but not in direct proportion. As an example, the charge for transporting one ton of cargo for varied distances with tariffs rated according to Class 20 coastal tariffs (Tariff Manual No 1-M) is as follows:

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100 miles -- 612 kop per ton -- 6.12 kop per ton-mile
 200 miles -- 915 kop per ton -- 4.57 kop per ton-mile
 500 miles -- 1,368 kop per ton -- 2.74 kop per ton-mile

The overwhelming majority of tariffs currently in use is differential. This tariff structure is logically derived from the well-known fact that net cost of the ton-mile decreases as distance increases while the net cost of transportation of one ton of goods increases in indirect proportion to increase in distance.

Tariffs can be subdivided by their form of structure into the following: (1) tabular and schematic, and (2) class and paragraph (or item).

The tabular form of tariff schedule is the easiest and most convenient to use. It indicates points of origin and destination and furnishes prepared rates for the transportation of one ton of freight between various points. As an example, the following is an extract from exclusive tariff No 2 for the transportation of grain and seed for the Azov Steamship Company (Tariff Manual No 1-M):

Item I -- Grain and Seed

The charge for transportation from tariffless points to the ports enumerated below is found in the following amounts per ton (in kopecks):

From	To				
	Azov	Rostov	Taganrog	Zhdanov	Yeysk
Semibalka	1,129	1,237	1,005	1,500	1,361
Margaritovka	1,129	1,377	1,129	1,500	1,268
Stefanidar	1,129	1,423	1,005	1,500	1,516
Port-Katon	1,361	1,500	1,129	1,500	1,268

The shortcoming of the tabular form is that it retains its graphic quality only for a comparatively limited number of points of origin and destination.

The schematic form of tariff structure does not present the rate for the transportation of one ton of cargo between specific points but for the ton-mile, depending on distance. The schematic form can be used for both uniform and differential tariffs. As an example, the schedule of a differential tariff of Class 20 coastal shipping tariffs (Tariff Manual No 1-M) reads as follows:

From 1 to 30 miles -- 3 rubles, 2 kopeks per ton for all distances

From 31 to 50 miles -- 3 rubles, 2 kopeks for 30 miles plus 6.05 kopeks per ton-mile

From 51 to 75 miles -- 4 rubles, 23 kopeks for 50 miles plus 4.54 kopeks per ton-mile

From 76 to 200 miles -- 5 rubles, 37 kopeks for 75 miles plus 3.02 kopeks per ton-mile

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From 201 to 800 miles -- 9 rubles, 15 kopeks for 200 miles plus 1.51 kopeks per ton-mile

Above 800 miles -- 2.27 kopeks per ton-mile

The groups into which the distances are divided are called zones. The rate for transportation within the first zone is called the initial rate, and the ton-mile rates added to the fee for the previous zone are called cumulative rates. With an increase in distance, the cumulative rate decreases since the fee per ton increases in indirect proportion to the distance as transport distance increases.

Schematic tariffs do not have the defect of tabular tariffs indicated above. With the schematic structure, a table of computation can be used with equal success for an unlimited number of points of origin and destinations located at any distance from one another.

It should be observed that both the tabular and schematic forms can be used for expressing tariffs independent of their internal structure (uniform or differential).

As pointed out earlier, tariffs, according to the form of their structure, are also divided into class and item. In the class tariffs, all goods are grouped according to specific features into a certain number of classes, and the tariff rates are fixed for the classes rather than for the specific goods. The rate fixed for the class to which an item of cargo belongs is applied to each particular item. In the item tariffs, tariff rates are established for each separate item or similar category of goods.

According to the type of transportation, maritime transport tariffs are subdivided into two basic groups -- cargo tariffs and passenger tariffs. The basic types of cargo tariffs are, in turn, tariffs for transporting dry cargo and tariffs for liquid petroleum cargo. Also belonging to the cargo group are tariffs for the leasing of ships. Passenger tariffs include tariffs for the carrying of passengers, luggage, and commercial baggage.

According to the type of transportation, tariffs are divided into (a) domestic tariffs, which are applied to transportation between seaports located within a single maritime basin; (b) direct water communication, applied to transportation effected on the basis of a single shipping document within the limits of a maritime and river route; (c) direct combined water-rail shipments, applied to transportation effected on the basis of a single shipping document for a water-rail route.

Tariffs for transportation abroad of exports and imports on Soviet ships are established by the Ministry of Maritime Fleet [USSR] in agreement with the Ministry of Foreign Trade [USSR] and confirmed by the Council of Ministers USSR.

All exports and imports are divided into 10 classes, in addition to which the tariffs on furs and other valuable goods are set according to a percentage of the net cost of the item. In structure, export-import tariffs are tabular. Tariff schedules, however, are not fixed for the transportation of goods between each Soviet and foreign port, but are made rather for basic directions: i.e., between Soviet maritime basins and groups of foreign ports or specific sections of foreign coasts.

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In the case of intercoastal dry cargo transport, coastal tariffs are applied with a reduction of 50 percent.

The coastal tariff system is developed by the Ministry of Maritime Fleet [USSR] and affirmed by the Council of Ministers USSR. The Ministry of Maritime Fleet is authorized, upon agreement with interested ministries, to set tariffs on goods being transported for the first time and to make partial changes in tariffs in effect for various goods (and passenger transportation) and destinations. In addition, the Ministry of Maritime Fleet may introduce changes in the existing regulations governing the application of tariffs and the procedure for computation.

Local tariffs are developed by administrations of steamship companies and ports in conformity with the Regulations for the Establishment of Local Tariffs of Steamship Lines and Ports and are submitted to the Ministry of Maritime Fleet for approval. Local tariffs are set on passenger traffic and the transportation of luggage and commercial baggage (by suburban and local lines outside of lines for which general tariffs are set), on intraport transportation, and on all services and operations connected with transport for which general tariffs and fees have not been set. Prior to their being placed into effect, cargo and passenger tariffs for coastal trade are published in the form of various tariff manuals indicating the periods of their validity. All changes and additions in the tariff manuals and various tariffs are published in the "Compendium of Rules of Transportation and Maritime Transport USSR Tariffs" indicating the period of their introduction. In addition to this, local tariffs are published in the local press or posted in the ports.

All coastal cargo tariffs are assembled in the "Summary of USSR Maritime Fleet Cargo Tariffs," which consists of two parts, as follows:

Part 1. Tariff Manual No 1-M

Regulations governing the applications of tariffs, additional fees, penalties, and premiums, special rules (Section A).

Nomenclature, classifications, exclusive tariffs, and tariff schedules of dry cargo steamship companies, mail and exempt tariffs (Section B).

Tables of Tariff Distances (Section C).

Computed tables of shipping charges for dry cargo steamship companies (Section D).

Nomenclature, classification, tariff schedules, and computed tables for tanker steamship companies (Section E).

Part 2. Tariff Manual No 2-0

Index to cargo nomenclature.

The shipping charge for the transportation of cargo is set on the basis of the type of cargo, the steamship line, speed, and distance shipped.

The "cargo nomenclature" is a systematic listing of all goods presented for transportation. The exact designation of transported goods is absolutely necessary for the proper application of tariffs (and other fees connected with transportation). For this reason, shippers are obligated to identify cargo in the transportation documents in precise accordance with designations appearing in the nomenclature.

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All cargo designations are divided in the nomenclature into two sections: (A) agricultural products and (B) industrial products. The sections are divided into 13 subsections, the subsections into 76 groups, and the groups into 300 subgroups. In each position are one or several basic cargo designations which are related.

A unified nomenclature is in effect at the present time in maritime transport and is also employed in river and rail transport.

The "index for cargo nomenclature" serves as a means for indicating which particular items of cargo are included in which groups or subgroup. It contains an alphabetical enumeration of all cargo designations of the nomenclature accompanied by the number of their group and subgroup.

Tariff schedules, differing from one another by the scale of rates, constitute a system of normal classes. Each schedule corresponds to a tariff class. Twenty-one classes in all have been established and 21 tariff schedules accordingly adopted. The first tariff class provides the maximum shipping charge, and the 21st class provides the minimum. The scale of tariff rates increases from the lower to the higher classes (from the 21st to the 20th, from the 20th to the 19th, etc.) by 20 percent. The basic rate per ton-mile is 322 kopecks for the first (highest) class and 8.4 kopecks for the 21st (lowest) class.

Equal distance zones are taken for all classes:

Zone 1	from 1 to 30 miles
Zone 2	from 31 to 50 miles
Zone 3	from 51 to 75 miles
Zone 4	from 76 to 200 miles
Zone 5	from 201 to 800 miles
Zone 6	above 800 miles

The degree of reduction of cumulative rates in relation to the basic rate is also equal for all classes (in percentages):

Zone 1	100
Zone 2	60
Zone 3	45
Zone 4	30
Zone 5	15

In addition to the tariff schedules designated for transportation charges on ships of all dry cargo steamship companies and ships attached to ports, basic tariff schedules have been adopted for the fleet attached to ports of the Azov Sea. The latter schedules are distinguished by their higher initial rates (twice as high) and the ratio of the cumulative rate to the initial rates.

The "classification" presents its own cargo nomenclature with an indication by each item (cargo destination) of the tariff class established for that particular item.

All steamship companies shipping dry cargoes are assembled according to tariff size into two separate classifications:

Classification No 1

Azov
Caspian
Sochi
Black Sea

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Classification No 2

Baltic
Far East
Latvian
Murmansk
Sakhalin
North
Estonian
Chukotsko-Kamchatka

Following is an illustrative excerpt from the classification:

Classification of Dry Cargo			
Steamship Company			
<u>Nomenclature of Goods</u>	<u>Remarks</u>	<u>Classification</u>	<u>Classification</u>
		<u>No 1</u>	<u>No 2</u>
Group 3. Tobacco			
1. Tobacco, leaf, yellow (cigarette) and black (cigar)		5	4
2. Tobacco, leaf, plain (makhorka)		7	6

The data cited show that the goods of item 1 (Group 3) belong to the 5th class when transported by steamship companies under Classification No 1, and to the 4th class when transported by steamship companies under Classification No 2. The cargo of item 2 belongs to the 7th and 6th classes, respectively.

"Exclusive tariffs" are used because of divergencies from the adopted classifications. According to these tariffs, certain goods belong to a class which differs from the established classification. Exclusive tariffs are cited immediately under each nomenclature group with indication of the steamship company to which these tariffs are applied.

For example, under Group 3, the following exclusive tariff is cited:

Exclusive Tariffs of Group 3

Exclusive Tariff No 1

Azov Steamship Company

For transportation by direct water or combined rail-water shipments from or through the port of Temryuk to or through the ports of Rostov and Zhdanov, the shipping fee for the maritime portion of the route is computed on the basis of the 9th class.

Exclusive tariffs which are distributed over all or many cargoes of the nomenclature are located at the end of Section B with exempt tariffs.

"Tariff distance tables" serve to determine the distance of transportation from the point of origin to the point of destination. Certain tables contain the distances between points served by specific lines, while others give the distances between points of an entire basin region (or the entire basin). In the latter case, tables are shown which allow for stopping at intermediate ports in addition to tables of shortest distances which are used only in cases where an entire ship's cargo is consigned to a single destination and no stops are made at intermediate ports.

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For transportation from or to nontariff points and to points not indicated in the tables, the distances to the next furthest tariff point shown in the tables are used for computation.

For transportation distances of less than 30 miles, tariffs are computed on a 30-mile distance basis.

"Computed tables of shipping charges" present rates for the shipment of one ton of cargo in relation to the shipping distance and tariff class. Table 1 serves to determine the charge for transportation on ships of all dry cargo steamship companies (except express, scheduled, and regular lines) and on ships attached to ports. Table 2 serves for the fleet attached to ports of the Azov Sea. The computed tables are made up on the basis of corresponding tariff schedules. In addition to the shipping charge, the tables show the rates of the port cargo fee levied on the cargo (10 percent of the shipping charge).

To simplify the tables and fee collection, the charges are given according to a system of zones rather than for each mile of distance:

From 1 to 30 miles -- 1 zone
 From 31 to 100 miles -- 7 zones of 10 miles each
 From 101 to 200 miles -- 5 zones of 20 miles each
 From 201 to 400 miles -- 5 zones of 40 miles each
 From 401 to 1,000 miles -- 10 zones of 60 miles each
 From 1,001 to 3,500 miles -- 25 zones of 100 miles each

In the first zone, the rate is always computed for 30 miles. In all the succeeding zones the rates are computed for the average distance of the zone. For example, for the 71-80 mile zone the fee is computed for 75 miles; for the 201-240 mile zone, 220 miles; for the 1,001-1,100 mile zone, 1,050 miles, etc.

Thus, in order to determine the amount of the transportation fee for a ton of any cargo carried between specific ports, it is necessary to perform the following steps:

- a. Locate in the index for cargo nomenclature (Tariff Manual No 2-0) the designation of the particular article and find the group and nomenclature item to which it belongs.
- b. Locate, according to the nomenclature (Tariff Manual No 1-M Section B), the group and item of the given article and find the class to which it belongs (according to classification No 1 or No 2, depending upon the steamship company). At the same time check to see whether or not an exclusive tariff has been set for that particular item, and if so, take the class according to the exclusive tariff.
- c. Determine according to the appropriate table of tariff distances (Tariff Manual No 1-M, Section C), the tariff distances between the points of origin and destination of the cargo.
- d. Knowing the class and tariff distance according to the completed table of transportation charges (Tariff Manual No 1-M, Section D), determine the amount of the shipping charge and the cargo fee.

The nomenclature, classification, tariff schedules, and computed tables of shipping charges for petroleum tanker steamship companies are intended for determining shipping charges for the transportation of petroleum cargoes by tanker.

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Separate nomenclature, classification, tariff schedules (six classes) and computed tables have been established for the Black Sea Tanker Steamship company (Sovtanker), and separate ones have also been drawn up (eight classes) for the Caspian Tanker Steamship Company (Kasptanker). The transportation distances are determined using the tables for direct tariff distances which are used for dry cargo steamship companies. For the Astrakhan' Roadstead Tanker Steamship Company (Reydtanker), the tariff rates are given in tabular form.

The "rules for determining shipping rates" provide for the application of tariffs to various forms of transport involved in completion of a particular computation. The following is a brief summary of these special rules.

1. In shipping cargo from a single shipper where the entire ship is used, the fee is charged for the dead-weight tonnage of the ship or the amount of cargo which can be loaded when the ship's capacity is fully utilized.
2. For the transportation of heavy and long articles, the transportation charge is increased by the following: for articles in one package weighing from 3 to 5 tons, by 50 percent; articles from 5 to 10 tons, by 100 percent; articles above 10 tons, by 200 percent. For articles from 9 to 12 meters in length, the increase is 50 percent; above 12 meters, the increase is 180 percent.
3. For chartering of ships, the charge is computed on the basis of the cost of maintaining the ship (according to the transport financial plan of the steamship company) including fixed deductions for amortization and a 10-percent surcharge for capital accumulation. "Supplementary and incidental fees" are charged for extra operations and tasks performed by steamship companies in connection with the transportation of the cargo. Among such fees are: fees for weighing and verifying weights at the request of the receiver; fees for loading, unloading, transloading, and roadstead shipment of cargo; fees for repair of packing or repacking; fees for storage of cargo; fees for declaration of cargo value; etc.

"Penalties and premiums" -- Clients who are responsible for delaying a ship being loaded or unloaded beyond the time limit prescribed by norms, are subject to penalties at fixed rates. If loading or unloading operations which are performed by the client result in release of the ship ahead of schedule, the steamship line pays a premium at fixed rates.

Chartering of Soviet and Foreign Ships for Foreign Trade

Foreign trade in the USSR is a government monopoly.

An integral part of this monopoly is the chartering monopoly. This includes the charter of foreign tonnage for shipping Soviet cargoes and the charter of Soviet ships for shipping foreign cargoes.

The state organization specially created for ship chartering is the All-Union Association "Sovfrakht," under the jurisdiction of the Ministry of Foreign Trade. It is an independent organization (operated on a cost accounting basis) which possesses rights of a legal nature.

Sovfrakht alone enters the foreign chartering market, chartering tonnage for all foreign trade organizations needing it.

Foreign trade organizations give Sovfrakht all orders for tonnage required for the export of bulk cargoes and large consignments of general cargo which engage an entire vessel regardless of whether these cargoes are carried on Soviet or foreign ships. Soyuznefteekspart (All-Union Trust for Export of

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Petroleum) gives orders to Sovfrakht only for the chartering of foreign tonnage for petroleum cargoes. Sovfrakht goes to the foreign chartering market only with orders which cannot be filled by Soviet tonnage. This system of concentrating all orders for tonnage in Sovfrakht permits the selection of cargoes for Soviet ships in foreign trade which make optimum use of the ship.

A foreign trade organization needing tonnage for transportation of cargo gives Sovfrakht instructions to charter tonnage. These instructions are given in the form of a so-called charter order. The form and content of charter orders are varied and depend upon the forms and contents of the trade agreements by which the tonnage is chartered. However, every charter order must contain the following basic information: the exact designation and quantity of the cargo to be transported (or number of ships required for transportation and their tonnage); the exact or approximate date of loading; the ports of loading and discharge; and any special conditions which may exist relative to the transportation in question. The charter order need not contain all details on every type of condition customary for such transportation (or provided by the charter prescribed for this type of transportation) or conditions arising from the agreement between the cargo owner and Sovfrakht.

In chartering practice, two types of charter orders are used:

- a. "Concrete orders" -- Unconditional authorization to charter tonnage according to conditions indicated in the order and within the indicated period of time. A charter agreement made on the basis of a concrete order and in observation of the conditions indicated therein does not require approval by the organization which issues the order.
- b. "Call for tonnage bids" -- Instructions to call for appropriate bids on the part of shipowners in order to make a preliminary study of the transportation market. After examining the bids received, the cargo owners may accept any particular bid or ask for certain concessions and only then issue concrete authorization to conclude a charter contract.

Charter orders differ also according to the degree of urgency with which a ship is required for loading. Orders considered normal are those which are issued a few weeks prior to the required date of loading. The greater the distance of the port of loading from the main maritime routes, the larger the time required for the normal fulfillment of the charter contract. For example, an order issued 30 days prior to the required date of loading is considered normal for the chartering of exports from Black Sea ports; whereas, for shipping from Leningrad, the normal order must be issued approximately 3 weeks in advance. Orders issued for a brief period of time (figured in days) prior to the desired loading are considered urgent (prompt) and especially urgent (promptissimo). On various local cargo markets the concept of prompt tonnage is not interpreted uniformly, but in any case the period of time for required tonnage delivery is computed within a few days. Finally, there are superurgent (spot-prompt) orders requiring immediate delivery of a ship for loading. It should be pointed out that all possible efforts are made to avoid the issuance of urgent orders since the limited time available for chartering does not afford chartering organizations adequate freedom of choice and usually leads to contracts of less advantageous terms.

Sovfrakht ordinarily issues orders on the charter market in the form of calls for tonnage bids.

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In reply to the orders, so-called offers or tonnage bids are made by shipowners either directly or through brokers. In the offer, the shipowner usually submits the following information: (1) name of proposed ship and its tonnage, (2) proposed date of readiness of ship for operations, (3) the deadline by which the ship can arrive in port of loading without violating the charter contract (referred to as "cancelling"), (4) type of cargo, (5) number of days necessary for loading and unloading operations in ports or the daily norms for loading and unloading, (6) ports of origin and destination, (7) charter rate, (8) amount of broker's commission, (9) desired form of chartering contract (charter), and (10) period of time for reply.

The offer submitted by the shipowner may be either a concrete or a conditional proposal. In the first instance the shipowner pledges himself to await the shipper's reply within the stipulated period of time. In the second instance the shipowner, who has in the meantime made a concrete proposal to a second shipper, offers his ship provided that his concrete proposal has not been accepted. A conditional bid automatically becomes a concrete one when the term of reply for the first (concrete) bid has expired and the shipowner has not received acknowledgement of acceptance of his first bid.

If the shipowner's offer (concrete proposal) is accepted within the stipulated period and without any objections, a charter contract is considered to have been concluded. More often, however, the charterer takes certain exceptions to the terms offered by the shipowner. In such a case, the shipowner is sent a counteroffer (counterbid), in which those features of the offer's terms to which there are no objections are repeated, and the features to which the shipper does not agree are listed in a desired form. The counteroffer, just as the offer, can be concrete or conditional and should have a stipulated period of time for action. When such negotiations end in the acceptance by one of the parties of the terms proposed by the other party, a contract is considered concluded.

Acceptance of the proposed terms leading to the acknowledgement of a concluded contract is called an "aktsept" [acceptance]. After the acceptance occurs, the parties proceed to draw up a charter contract (charter). If the negotiations are conducted through a broker, the latter draws up the charter and sends it for signature to the parties or their authorized agents. Upon receipt of the charter signed by the parties, the broker prepares the required number of copies of the charter and distributes them according to the instructions of the parties.

In the procedure of chartering adopted in the USSR, all drawing up of charter contracts is done by Sovfrakht.

There are two types of chartering: those legalized by bills of lading and those legalized by chartering contracts -- charters.

Chartering by bills of lading is used when cargoes are carried by ships operating on [regular] lines.

If a line carries general cargo shipped in comparatively small lots (or from separate localities) which belong to a number of different shippers, the shipowner has no opportunity to negotiate with each shipper ahead of time. Neither is he able to assign a specific part of the ship for each cargo consignment ahead of time.

A shipowner accepting cargo for transportation stows them on the ship at his own discretion (only the stowing of cargo on deck requires the consent of the shipper) and issues bills of lading to the shippers for every piece

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of cargo accepted. The bill of lading with statements concerning its terms of transportation on the reverse side serves as a contract for the transportation of cargo on [regular] lines. In this case, therefore, the bill of lading fulfills three functions (for further details, see Section 32): (a) as a cargo control document, (b) as a receipt for the goods taken on board (or for transportation), and (c) as a maritime transport contract. In the shipping of cargo on lines, the payment for loading operations in ports is made by the shipowners as a rule. This, naturally, arises from the fact that the latter must perform the work according to a set schedule and therefore cannot allow intervention by the shipper in the performance of the loading operations.

Chartering of ships by charters is usually practiced on tramp lines, with the transportation of bulk cargoes or cargo shipments occupying an entire ship (sometimes a part of the ship is chartered; that is, certain locations of the ship). In this case, the shipowner in assigning the ship to a single shipper, negotiates with the latter over the terms of transportation, and the resultant agreement is formalized by the signing of an appropriate charter. When the goods are transported on a ship chartered by means of a charter, bills of lading are also written out for the various pieces of cargo accepted on board. Here, however, the bill of lading fulfills only the function of a cargo control document and a receipt for the goods accepted on board. As for the terms of transportation, the documents in this case usually contain only a reference to the conditions which are stated in the charter.

In Soviet foreign trade, the charter is usually used when foreign tonnage is employed. The basic forms of this type of charter may be divided into two groups. To the first group belong those forms of chartering in which control over the operation and use of the ship (and attendant commercial risks) are retained by the shipowner. This would include chartering for a single trip, for several subsequent trips, or by general contract. To the second group belong time charters in which the shipowner forfeits control (fully or partially) over the operation and use of the ship for the period of time mentioned in the charter, and the commercial risks connected with the operation of the ship are transferred to the shipper. These include chartering by time charter and by demise charter.

Chartering for a single trip is the most extensive form of chartering. This form represents an agreement by which the shipowner furnishes the entire ship (or part thereof) to the shipper for transportation of a stipulated cargo between ports indicated in the charter. The shipowner agrees to deliver the accepted cargo to its destination for a stipulated consideration -- fees paid to him by the charterer.

In trip charters, the most common method of computing shipping charges is the establishment of a charge per unit of weight or volume (sometimes by the piece) of the transported cargo. A somewhat varied form of trip chartering is lump-sum chartering when the shipping charge is set in the form of a total sum for the entire ship for one trip. This type of chartering is employed for cargo the precise volume of which is not easily determined (for example, any type of bulky cargo) and it is therefore impossible to determine in advance how much of the cargo the ship can accept, or if at the time of chartering the composition of the cargo is not completely known, etc. In the latter case it is usually stipulated that the shipper may load cargo legally permitted for maritime transportation. In lump-sum chartering the shipowner usually guarantees in the charter the dead-weight tonnage and bale cubic capacity of the ship, and the shipper assumes the expenses for loading and unloading, or if these expenses are assumed by the shipowner they are limited to a definite, stipulated sum.

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Trip charters are distinguished also in that the points of origin and destination are fixed in the charter. The simplest and most acceptable form of charter for the shipowner is the form in which the ports of origin and destination are precisely specified by the charter. For the shipper, however, this form of chartering is not always acceptable. In such cases chartering by a so-called broad charter or with port options (quite similar to the former) is employed. In chartering by broad charter, the shipper is afforded the privilege of selecting the ports of loading and discharging from a broad category. For example, he may land in any of the seven Black Sea ports listed in the charter, and he may discharge at any port on the Continent or the eastern shore of England. By option of ports is meant the right of the shipper to direct the ship for loading or discharging to one of the ports listed in the charter, certain deductions or additions to the basic freight rate established in the charter being stipulated for various ports. Frequently the option is established not by means of a list of ports from which the shipper has the right to make a selection, but by a range of extreme points limiting a coastal area, within which the shipper may single out any port (for example, a safe continental port between Hamburg and Le Havre). This is called range chartering. Sometimes a charter may offer several ranges in place of just one. Thus, chartering with options, when their use is so extensive, is almost identical with chartering by broad charter.

Chartering for several subsequent trips contains all the elements and conditions characterizing chartering for a single trip. An additional element in this form of chartering is the obligation of the shipper upon conclusion of the first trip to direct the ship immediately on the second trip, and so forth, until the completion of the stipulated number of trips. In this arrangement, the shipowner does not have the right to use the ship for any intermediate haulings for other shippers. A charter is written for each trip. The shipping charge is paid for each trip separately, according to predetermined rates.

A general contract is the term given to a charter agreement by which the shipowner assumes the obligation of transporting a certain quantity of cargo named in the agreement within a certain period between stipulated ports. Under this arrangement, the transportation is performed not by one, but by a group of ships. Here, too, all the terms for chartering for one trip apply. The over-all quantity of cargo stipulated by the agreement is either set exactly by the month or it is indicated that this amount of cargo must be transported uniformly within the effective period of the contract. The shipowner must submit to the shipper in advance (e.g., 10 or 15 days prior to loading) the names and dimensions of the ships assigned by him for transportation in execution of the contract. The freight rates are established by the general contract with seasonal considerations taken into account, i.e., higher rates for less favorable navigational conditions. The rates also differ according to the ports of destination. A general contract also provides for the formality of a charter, which must be used for the given shipment on each trip. The effective period of the contract is determined by specified dates.

Chartering by time charter provides for the assigning of the ship to the charterer for a definite period of time. Accordingly, payment for the use of the ship is made not on the basis of the usual cargo charges but in the form of payments for lease of the ship. The latter is usually computed per ton of gross dead-weight tonnage (or for the ship as a whole) and is paid in advance. In the event the ship is returned to the owner earlier than the time stipulated, the unused portion of the lease payment is refunded to the charterer.

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A time charter usually provides for the following division of expenses for maintenance of the ship: (1) the shipowner bears the costs of crew maintenance, keeping the ship in working condition (including supplies and equipment with the exception of fuel), and insurance on the ship; (2) the charterer assumes the expense for fuel, water for the boilers, port fees, and loading and discharging costs.

The terms of the contract usually reserve for the shipper the right to utilize the ship for carrying any desired cargo on normal routes. However, when the ship is sent into a dangerous zone or into a regular zone but during a period of the year dangerous for navigation, the shipper must assume the extra insurance fees pertinent thereto. The charterer is also responsible to the shipowner for damages caused to the vessel as a result of loading cargo not allowable for transportation according to the terms of the charterer, for example, cargo not legally transportable or prohibited by the terms of the charter. This would include combustible or highly inflammable cargoes or livestock. In general, a time charter usually stipulates that it is the obligation of the charterer to surrender the vessel and its cargo in the same good condition in which it was received (not counting normal wear and tear).

A demise charter is a variant of time charter. It differs from a time charter in the fact that all expenses, including salary (and hiring) of the ship's crew, are borne by the charterer.

In Soviet practice this form of chartering has not yet been used.

In conclusion, chartering by daily charter, which occupies an intermediate position between trip chartering and time chartering should be mentioned. Here, the usual conditions of trip chartering are fully retained, with control over the operation of the vessel and all expenses for its maintenance remaining in the hands of the shipowner. The charter rate, however, is set not by the unit of transported cargo but by ton of gross dead-weight tonnage per day of voyage. This form of chartering has extensive application where local navigational and operational conditions (loading and unloading in the roadstead, lack of equipment of many points of call, navigational difficulties, etc.) prevent the shipowner from estimating exactly the duration of the trip, and, consequently, determining the assumed expenses on the impending voyage.

A charter represents a contract between shipper and shipowner, the terms of which are fixed by agreement of the parties. However, the complexity of relations arising from the chartering contract, the diversity of working conditions, the enormity of chartering transactions, and usually the rather limited time available to the parties to conclude an agreement, make it totally impossible to draft a form containing all the terms of the agreement for every transaction. For this reason the usual practice in present-day maritime trade is to use the standard charter made out beforehand.

The use of standard charters does not deprive the parties of the opportunity to insert into the charter various amendments or additions (inserted into the text of the charter). In such a case the presence of particular amendments or additions in the charter automatically invalidates all terms contained in the charter contradictory thereto, even though this is not specifically stipulated.

Standard charters are subdivided primarily according to forms of chartering. Trip charters are subdivided in turn according to types of cargo and destinations of shipping; at present, all basic cargoes and destinations

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have their own forms of standard charters. Standard forms of the time charter are not classified according to types of cargo and shipping destinations as long as the shipowner has the right in this form of chartering to select cargoes and destinations with complete freedom.

At present, Soviet standard charters are used in chartering tonnage for most fields of Soviet export. In chartering for those areas of foreign trade shipping for which no Soviet formal charters have been devised, however, charters generally adopted in international navigation are employed. Nevertheless, the appropriate amendments and additions aimed at protecting Soviet interests are inserted therein.

The standard charters having the widest application in Soviet chartering of ships for foreign trade are the following:

1. 1951 Sovflot maritime shipping contract -- a Soviet charter used for trip chartering for both general and bulk cargoes, composed in the Russian language (Encl 7).
2. Chamber of Shipping White Sea Wood Charter 1933 -- used for shipping lumber cargoes from White Sea ports to Europe.
3. Chamber of Shipping Baltic Wood Charter 1926, Baltwood -- used for shipping lumber cargoes from Baltic Sea ports to Europe.
4. Soviet Russian Black Sea Wood Charter, Sovlescon -- used for shipping lumber exports from Black Sea ports.
5. Russian Black Sea and Azov Charter Party 1946, Zernocon -- used for shipping grain cargoes from southern Soviet ports.
6. Tanker Charter Party -- generally employed in international maritime commerce for shipping petroleum and other liquid cargoes.
7. Uniform General Charter, Gencon -- generally employed charter used for shipping general cargoes as well as other cargoes for which no special standard charters have been established.
8. The Donets Coal Charter -- a special Soviet charter for shipping coal. The shipping of coal, however, is also carried out on the basis of the Gencon charter with the insertion therein of a large number of amendments and additions.
9. Uniform Time Charter 1912, Baltime -- generally used in international maritime commerce for the chartering of vessels on time. Used in Soviet chartering with certain amendments and additions.

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